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FISCAL IMPACT STATEMENT

LS 6594

BILL NUMBER: SB 565

NOTE PREPARED: Jan 25, 2011

BILL AMENDED:

SUBJECT: Solid Waste Management Districts.

FIRST AUTHOR: Sen. Gard

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Funding of Solid Waste Management Districts.* This bill eliminates the authority of a solid waste management district (SWMD) to impose property taxes, except to repay currently outstanding bonds, and otherwise limits the authority of an SWMD. The bill provides for funding of an SWMD from the state Solid Waste Management Fund (SSWMF). The bill prohibits the use of the SSWMF for construction or operation of a final waste disposal facility owned or operated by an SWMD.

SWMDs. The bill establishes qualifications for and duties of an SWMD district director. It allows an SWMD board to request and collect information from postconsumer sources on the amount and type of recycling and waste diversion occurring at the source.

Department of State Revenue (DOR). The bill requires the DOR to deposit certain solid waste disposal fees into the SSWMF.

Department of Environmental Management (IDEM). The bill requires IDEM to make distributions from the SSWMF based on district population and population density and on a prioritized listing of programs offered by the SWMD.

Hazardous Substances Response Trust Fund. The bill gives discretion to IDEM in making grants from the Trust Fund to units of local government and to SWMDs.

Effective Date: July 1, 2011.

Explanation of State Expenditures: IDEM would no longer provide grants from the State Solid Waste

Management Fund, but would instead make distributions from the fund. The distributions would be for programs that promote in order of priority:

- (A) Proper disposal of household hazardous waste.
- (B) Proper disposal of used tires.
- (C) Proper disposal of electronic waste.
- (D) Proper management of yard waste.
- (E) Recycling and the use of recycled materials.
- (F) To provide education on the programs listed above.

IDEM must base the distribution on the population and population density of the district and the extent to which the district provides specified programs.

IDEM had temporarily suspended state-funded grant and loan programs for business and local government recycling projects due to budget cuts. IDEM should be able to make the distributions given its existing resources.

Deposit of Solid Waste Disposal Fees. Under existing law (IC 13-20-22-12), the Department of State Revenue deposits the following:

- (1) Not less than 50% of the revenue from the \$0.50 per ton solid waste fee imposed on the disposal or incineration of solid waste in a final disposal facility in Indiana into the Indiana Recycling Promotion and Assistance Fund.
- (2) Not more than 50% of the revenue from the fee into the State Solid Waste Management Fund.

The bill provides that all of the revenue would be deposited in the State Solid Waste Management Fund. The DOR collects approximately \$5.2 M per year in solid waste disposal fees. These fees would no longer be deposited in the Indiana Recycling Promotion and Assistance Fund, resulting in an additional \$2.6 M being deposited into the SSWMF.

Hazardous Substance Response Trust Fund. The bill gives IDEM discretion in making grants from the fund to local units of government and SWMDs. Currently, the Hazardous Substances Response Trust Fund receives income through taxes levied on hazardous waste disposal and direct cost recovery. In 2008, IDEM temporarily suspended state-funded grant and loan programs for business and local government recycling and pollution prevention projects, including the Household Hazardous Waste Grant Program.

Background. The Indiana Recycling Promotion and Assistance Fund provides loans and grants to manufacturers and commercial businesses to assist new or expand existing businesses that make use of recycled materials. Additionally, grants are made to local units to purchase recycled-content materials. Sources of money for the fund consist of the following:

- (1) Appropriations from the General Assembly.
- (2) Repayment proceeds of loans made from the fund.
- (3) Gifts and donations.
- (4) Money from the Solid Waste Management Fund.
- (5) Variable recycling fee revenue deposited under IC 13-20.5-2-1 (used to recycle electronic waste).

Money in the fund may be transferred to the SSWMF for use by IDEM to make payments for mercury switch recycling. Grants and loans from the Recycling Promotion Assistance Fund were suspended in December 2008.

Explanation of State Revenues:

Explanation of Local Expenditures: *SWMD Directors.* The bill provides a SWMD director selected by the board after June 30, 2011, must meet certain qualifications. Modifying the requirements for a director could affect the number of eligible individuals who can serve as director. If the new requirements reduce the eligible pool, compensation requirements could increase. The specific impact is indeterminable and will vary from unit to unit.

Explanation of Local Revenues: *Property Tax Levy and Appropriations.* The bill provides that SWMDs are no longer able to impose property taxes, except to repay outstanding bonds. In 2010 there were approximately 32 solid waste management districts that levied property taxes. The total levy for these districts was \$20 M. In 2010, the total appropriation for all districts was approximately \$38 M, of which approximately 52% came from property taxes. Qualifying SWMDs might be eligible to receive distributions of the \$5.2 M generated each year for the State Solid Waste Management Fund.

Additional Information. Monroe County Solid Waste Management District has an outstanding bond of \$3,945,000. The 2011 debt levy is \$296,796. The district property tax raised \$1.3 M. With the loss in property taxes, the district will also lose vehicle license excise tax equal to \$130,000. The loss in commercial vehicle license tax will equal \$7,500. Total revenue losses could equal \$1.5 M.

The Lake County district is paying on a loan. Posey County SWMD owes the Indiana Bond Bank \$73,459.50. In 2010, the district paid \$18,900 toward the bond.

District Final Disposal Fees Repealed. The bill repeals IC 13-21-13, which authorizes an SWMD to impose final disposal fees. The fee can be adopted only after a public hearing. The maximum fee that an SWMD could impose was \$2.50. Twenty-five districts imposed the fee, which averaged around \$1.10. Based on 2010 data, about \$18 M of the SWMD's funding came from sources other than property taxes. The amount of revenue out of this \$18 M that is raised from final disposal fees is not currently available.

State Agencies Affected: DOR; IDEM.

Local Agencies Affected: SWMD.

Information Sources: IDEM; Local Government Database; Association of Indiana Solid Waste Management Districts, Inc. (AISWMD), Lance H. Hodge, Executive Director, Westville, Indiana, Phone: 219-242-2707, lhodge@aiswmd.org; IDEM Technical Guidance Document, March 25, 2010, http://www.in.gov/idem/files/state_cleanup_icp_guidance.pdf.

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